

Prepared by the Economic Division at the Ministry of Foreign Affairs and Trade

Headlines

- **The Reserve Bank of Australia (RBA) increased cash rate by 0.5 percent to 1.85 percent.** This is the RBA's fourth consecutive increase. The decision comes days after **Australian inflation reached 6.1 percent, the highest it has been since the early 1990s.** In their statement, the RBA noted inflation is expected to reach around 7.75 percent this year before declining back towards 2–3 percent.
- **Foreign Minister Nanaia Mahuta departs for the Indo-Pacific region this week** for talks on security and economic issues at meetings of ASEAN and the East Asia Summit in Cambodia, and will also undertake bilateral engagements in Malaysia.
- The next round of **ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) Upgrade negotiations** and an associated senior economic officials meetings commence this week in Siem Reap, providing an opportunity for New Zealand to support ASEAN-led economic initiatives and efforts towards regional economic integration. Following the last round of AANZFTA upgrade negotiations in Jakarta, Indonesia, negotiators are accelerating efforts towards substantial conclusion of negotiations by September 2022. Concluding the AANZFTA upgrade remains a priority for the Cambodia as ASEAN chair, and the Siem Reap round provides an opportunity to make further progress towards substantial conclusion in September.

Regional Updates

Domestic Updates:

- From **1 August** an estimated 2.1 million New Zealanders will be eligible to receive the first targeted **Cost of Living Payment**. The payments will see **eligible New Zealanders receive** on extra **\$116 per month for three months**, and sits alongside a suite of measures being introduced as part of Budget 2022's Cost of Living Package.

Australia and the Pacific:

- **Niue has detected community transmission of COVID-19 and has moved to Code Red** in its pandemic response settings. Niue's Acting Premier Sauni Tongatule made the announcement this evening. It will **not include a lockdown at this point.**
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Asia:

- The enormity of the impacts of **Sri Lanka's economic crisis** is becoming clearer, with new data emerging. Economic think-tank Verité estimated **50 percent of the country's 22 million people could be living below the poverty line by the end of 2022** (up from around 15 percent in 2019). The economy is expected to contract by 8-10 percent this year. The pace of **Sri Lanka's IMF and debt restructuring negotiations has slowed**, exacerbated by political instability. The World Bank issued a statement reiterating their deep concern about the dire economic situation, but reconfirming that they **do not plan to offer new financing to Sri Lanka**, until an adequate macroeconomic policy framework is in place.
- Indonesia's Foot and Mouth Disease outbreak **represents a significant biosecurity threat to Indonesia's neighbouring (and least developed) nations of Timor Leste and Papua New Guinea**. The spread of the African Swine Fever from South East Asia to Timor Leste and Papua New Guinea in 2020/21 impacted the pork industry and the livelihoods of tens of thousands of households, with estimated losses of AUD\$314million.

Americas

- The **US Federal Reserve raised interest rates by 75 basis points** (0.75 percent) to a benchmark range of 2.25 – 2.5 percent. The decision was made amidst rising inflation and fears of a recession after **US GDP data showed a second consecutive quarterly decline**. Real GDP decreased at an annual rate of 0.9 percent in the second quarter of 2022 after decreasing 1.6 percent in the first quarter.
- **Senator Joe Manchin and Senator Chuck Schumer** announced agreement on a new **Inflation Reduction Act for the US**. This revenue-and-spending Act would invest US\$369 in climate and energy programs, making it the largest ever investment in climate change mitigation in US history. The Act will also set a minimum corporate tax of 15% and reduce the cost of prescription drugs.
- **The US Congress also passed a US\$280 billion bill to invest in semiconductor manufacturing and scientific research**. The so-called "CHIPS+ Act" includes US\$39 billion in grants to companies building new chip manufacturing plants in the US, with another US\$11 billion earmarked to advance chip manufacturing research and workforce training, and US\$2 billion for military-related innovation. This was a major Biden Administration priority and ultimately advanced with bipartisan support in both chambers.

Europe:

- **Eurozone GDP growth came in at 0.7 percent in Q2**, much higher than the 0.2 percent expected. This has been largely **driven by Italy, France and Spain who have seen a rebound in tourism**. According to the Reserve Bank of New Zealand, this is unlikely to change **forecaster predictions that the Eurozone will experience a recession next year**. **Eurozone inflation** data was also released last week and reached **8.9 percent, higher than the 8.6 percent expected**.

Please note that from next week, we will start sending this report on Mondays instead of Fridays.

Market reports released this week

- The previous global economic round-up can be found [here](#).
 - [Singapore: Securing access to Essential Goods and Services - August](#)
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Feedback

We welcome feedback from New Zealand exporters on this report and invite requests for reporting from New Zealand's [network of Embassies and High Commissions](#). If you would like to subscribe to this weekly update, you can sign up [here](#) or email us at exports@mfat.net.

External links

The following links may provide useful information to businesses:

- [NZTE](#) has a website focused on providing COVID-19 information for exporters. They've also launched [myNZTE](#), an interactive digital portal of insights and tools available to all New Zealand exporters.
- The Treasury releases a [weekly economic update](#) every Friday. Stats NZ has published a [data portal](#) with near real-time economic indicators.
- MBIE publishes a [sector reports series](#) which provides regularly updated reports on all industry sectors that make up the New Zealand economy. These include official economic data and the challenges and opportunities that face New Zealand's industry sectors.
- [Business.govt.nz](#) provides tools and advice from across government to save small businesses' time and help make the business a success.
- MFAT has created a [tariff finder](#) which is designed to help goods exporters and importers maximise benefits from New Zealand's Free Trade Agreements and compare tariffs in 136 other markets.
- The all of government [Trade Barriers website](#) can be used to register any trade barriers experienced or issues exporting to an offshore market. Queries can be sent via the website or through the MFAT Exporter Helpline 0800 824 605. Enquiries will be sent to the government agency best placed to answer.
- Tauranga Aotearoa Stats NZ provides official data on the value of New Zealand's exports and imports of both goods and services, by commodity type via the [New Zealand Trade Dashboard \(shinyapps.io\)](#). This interactive dashboard is updated every quarter and allows for filtering by country and by commodity type.

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

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